

## Future Challenges for Strategic Planners

The best way to predict the future is to invent it.

—Alan Kay

The future will soon be a thing of the past.

—George Carlin

### THE STATE OF THE ART IN HEALTHCARE STRATEGY AND STRATEGIC PLANNING

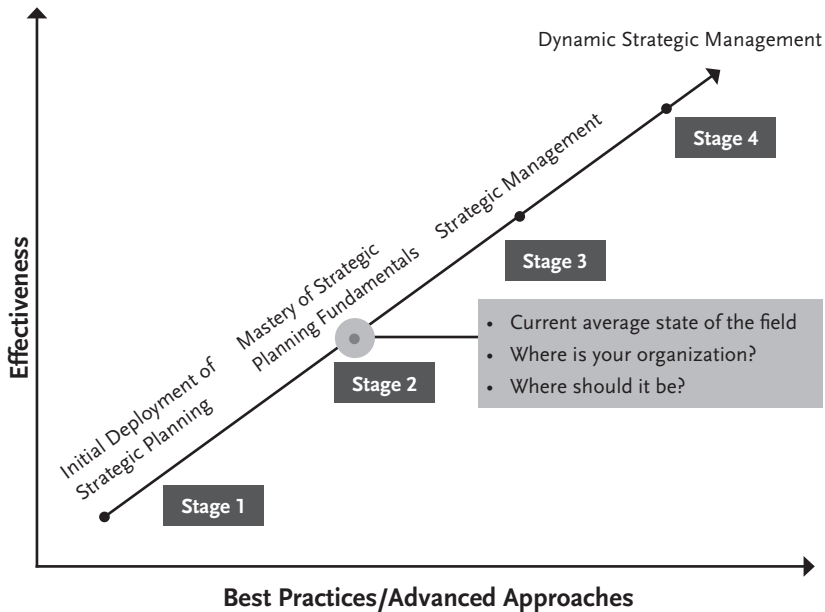
In a highly provocative article, Michael E. Porter, one of the leading authorities on strategy, and his coauthor Thomas H. Lee, MD (2015, 1681), state: “Until recently, most health care organizations could get by without a real strategy, as most businesses understand that term. They didn’t need to worry about how to be different or make painful decisions about what not to do. As long as patients came in the door, they did fine, since fee-for-service contracts covered their costs and a little more.”

Success came from operational effectiveness: working hard, embracing best practices, and burnishing reputations that attracted both patients and talent. Typically, “strategy” defaulted to having the scale and market presence to secure good rates and be included in networks.

But if that era is ending, the time has come for healthcare organizations to rethink the meaning of strategy. Strategy is about making the choices necessary to distinguish an organization in the competition to meet customers' needs.

A study conducted by Health Strategies & Solutions, Inc., and the Society for Healthcare Strategy & Market Development (SHSMD) in 2005–2006 (Zuckerman 2007) reports that planners and executives believe that healthcare strategic planning practices are effective and provide the appropriate focus and direction for their organizations. Fundamental strategic planning practices appear to be sound, with strategic planning well accepted, used regularly, and integrated increasingly well with other management functions (see exhibit 13.1).

**Exhibit 13.1: Evolution of Healthcare Strategic Planning**



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But when compared to strategic planning practices outside of the healthcare field, it is clear that healthcare strategic planning has not advanced to sophisticated levels and is far behind what are considered state-of-the-art practices. In fact, the areas in which healthcare organizations seem to do best, according to the survey results—development of mission statements and goals and participation of senior management in the planning process—are rudimentary in strategic planning outside of the healthcare field. Organizations exhibiting more advanced strategic planning would merely think of these areas as the basics, not best practices or even strengths.

Companies that demonstrate pathbreaking strategic planning practices outside of healthcare already embody what are considered bleeding-edge strategic planning approaches among healthcare organizations today, such as attacking critical issues, developing clear strategies, achieving real benefits, and managing implementation.

More important, outside of healthcare, pathbreaking planning practices are characterized by the following five qualities:

- I. *Systematic, ongoing internal and external data gathering leads to the use of knowledge management practices.* Rather than the ad hoc data assembly and analysis frequently observed in healthcare organizations, pathbreaking companies outside of healthcare have highly structured systems for continuously gathering information that drives strategic planning. Data gathered are of a breadth and depth rarely seen among healthcare organizations. Once data are gathered, nonlinear analysis is conducted using sophisticated modeling, game theory, and other advanced approaches that far exceed the linear techniques and correlations used in healthcare organizations. The most advanced companies take these efforts to even higher levels by using knowledge management systems that sort information into databases and allow easy access and use by personnel at all levels throughout the organization. Data collection and analysis focus on the market and

external factors and forces, so that decision making is largely driven from the outside, as opposed to the inwardly focused approach more common in healthcare organizations.

2. *Innovation and creativity are prized.* Pathbreaking companies demonstrate the high value they place on innovation and creativity by building a work environment that is receptive to new ideas and looks at alternatives, especially when they create new products and market space. Risk-averse healthcare organizations understand the concepts of innovation and creativity, but putting them into action is another matter. The key issue here is less one of what to do, and more of how to do it. Demonstrating leadership instead of followership and becoming risk tolerant are important first steps for healthcare organizations. Developing a culture that supports, or better yet, encourages risk taking is a necessary prerequisite to progress.
3. *Strategic planning is more bottom-up than top-down.* Leading firms outside of healthcare use a planning process that is increasingly focused in the business units or subsidiaries, with corporate leadership providing high-level direction. This approach allows strategic planning to be more broadly based, meaningful, and substantial, with the real action of planning taking place closer to the customer. Organizational support for initiatives is nurtured when planning has a bottom-up orientation, and implementation may be more successful when planning has been vigorous at lower levels of the organization. Healthcare strategic planning is still too often a top-down process that engenders insufficient participation, awareness, or support from the majority of employees. As health systems consolidate into ever larger entities, there is a risk of even greater top-down planning.

4. *Evolving, flexible, and continuously improving strategic planning processes help organizations adapt more readily.* Pathbreaking companies embrace the inevitability of change and use planning processes with an external orientation. They use external forces and factors to create a platform for change that keeps planning responsive and vital. They regularly revise and upgrade their planning processes and techniques based on their own experiences, observations of other leading companies, and academic research. Many healthcare organizations are content to use the tried-and-true strategic planning processes that worked well historically. Most healthcare professionals are not content with yesterday's operations management and financial planning approaches, so why shouldn't they support similar levels of change in their strategic planning processes?
5. *Dynamic strategic planning has replaced static planning.* Many companies in rapidly changing industries recognize that strategic planning must be dynamic—vision statements must inspire and stretch the organization, goals may need to be revolutionary, strategic thinking is encouraged, decision making is driven down to all levels, and strategic planning is embedded throughout the culture. Strategic planning becomes everyone's job, every day, not just an annual or periodic exercise by executive leaders.

Healthcare leaders must look beyond their own backyards to learn how other highly competitive sectors are spurring organizations to greater levels of growth and success with more rigorous and sophisticated planning. The five qualities discussed here, even when executed at rather basic levels, will go a long way toward helping healthcare organizations experience the benefits that pathbreaking companies realize from their planning processes.

## Exhibit 13.2: The Old Guard Versus the New Breed

The Old Guard	The New Breed
<p><i>Strategic planners' traditional functions, according to a Business International survey, were well defined:</i></p> <p><b>Information functions:</b></p> <ul style="list-style-type: none"> <li>• Compile information for top managers.</li> <li>• Research competitors.</li> <li>• Prepare forecasts.</li> </ul> <p><b>Facilitation functions:</b></p> <ul style="list-style-type: none"> <li>• Consult with divisions on how to prepare plans and strategies.</li> <li>• Standardize reporting formats and create common terms of reference.</li> <li>• Help senior managers convey corporate culture by working cultural factors into the planning process.</li> <li>• Communicate corporate objectives.</li> <li>• Organize and lead planning teams.</li> </ul> <p><b>Process management functions:</b></p> <ul style="list-style-type: none"> <li>• Manage the planning process.</li> <li>• Develop new planning methods.</li> </ul>	<p><i>It can be a struggle for organizations to keep up with an increasingly complex business world. The role of strategic planners should therefore evolve within the framework of traditional functions and be updated with new functions designed to teach organizations to transform themselves:</i></p> <p><b>Information functions:</b></p> <ul style="list-style-type: none"> <li>• Compile information for all strategy-oriented teams.</li> <li>• Research competitors and best-in-class benchmarks, including noncompetitors.</li> <li>• Prepare forecasts, especially on internal changes in culture and management style and their effects on environment and performance.</li> </ul> <p><b>Facilitation functions:</b></p> <ul style="list-style-type: none"> <li>• Consult with divisions on how to improve performance through education, innovation, process management, and total quality management.</li> <li>• Help divisions measure cost of quality, management effectiveness, and team progress.</li> <li>• Help senior managers implement changes in corporate culture and measure the impact on performance.</li> </ul> <p><b>Process management functions:</b></p> <ul style="list-style-type: none"> <li>• Manage the expansion of the planning process and encourage intelligent employee participation.</li> <li>• Develop a process-management methodology and oversee its application to all business processes.</li> </ul> <p><b>Transformation functions:</b></p> <ul style="list-style-type: none"> <li>• Add an internal element (one that asks how to improve as well as what to focus on) to the traditional, externally focused strategic plan. The plan should identify needs and set goals in areas such as management development, benchmarking, process improvement, culture change, and employee participation.</li> <li>• Push for recognition that the annual planning cycle is too long, and forecasts too weak, to permit pursuit of a single strategy. Build mechanisms for reassessment into the strategic plan and the organization as a whole.</li> <li>• Develop new ways to measure organizational capabilities and performance, focusing on sources of strategic advantage, such as organizational learning rate.</li> </ul>

Source: Data from Hiam (1993).

## THE NEW STRATEGIC PLANNER

These new perspectives about healthcare strategic planning argue for careful reconsideration of this role in guiding and shaping the strategic planning process. Challenges to the role of the strategic planner have been raised for more than two decades. Alexander Hiam (1993) (see exhibit 13.2) identifies ten principal functions of planners that fall into three basic categories: information functions, facilitation functions, and process management functions. However, these functions do not meet the needs of organizations in turbulent times.

Hiam believes that planners need to take on a new role in which they welcome the input of others, work to convert people to their cause, and shatter received assumptions. They should fulfill the rolls of both active participant and leader in their organizations' transformation.

Henry Mintzberg (1994) argues similarly that the new role of strategic planners—sometimes referred to simply as *strategists*—consists of three elements:

1. *Planners as strategy finders.* Planners need to be active searchers for key strategies that emerge in top management, often unintentionally or that even go unnoticed. Planners need to be constantly on the prowl to discover these strategies “amid the ruin of failed experiments, seemingly random activities, and messy learning” (Mintzberg 1994, 112). Planners should be alert to activities both inside and outside their organizations that can lead to new, important strategies.
2. *Planners as analysts.* Planners have traditionally performed this role of analysis and are quite comfortable with it. However, Mintzberg suggests that planners need to have a broader view of their role in analytical support to offer new models, conceptual approaches, and new processes to address problems.

3. *Planners as catalysts.* Similar to Hiam's recommendations that planners assume a transformational role, Mintzberg (1994, 113) believes that planners need to "encourage managers to think about the future in creative ways." Such planners see their job as getting others to question conventional wisdom and especially helping people out of conceptual ruts.

As we consider where the healthcare field is in terms of strategy development and strategic planning, as well as considering where it needs to go, the results of a survey about strategy practices outside of healthcare may be enlightening. Authors Chris Bradley, Martin Hirt, and Sven Smit (2011) believe that good strategy has ten fundamental qualities:

1. Will your strategy beat the market?
2. Does your strategy tap into a true source of advantage?
3. Is your strategy granular about where to compete?
4. Does your strategy put you ahead of trends?
5. Does your strategy rest on privileged insights?
6. Does your strategy embrace uncertainty?
7. Does your strategy balance commitment and flexibility?
8. Is your strategy contaminated by bias?
9. Is there conviction to act on your strategy?
10. Have you translated your strategy into an action plan?

In an international survey of more than 2,000 executives, the scholars found that nearly two-thirds believed their company's strategy passed three or fewer of these tests, with only about 10 percent saying they passed seven to ten. Given healthcare organizations' relative lack of sophistication in strategic planning, it is likely that they perform even worse. In more recent work focused specifically on healthcare, SHSMD (2014) recently completed a major examination of the future role of the healthcare strategic planner. The study seeks to answer the question, "Given the evolving changes in the healthcare



environment and our desire to enhance the value we bring to the enterprise, how might we, as strategy professionals, reimagine our work?” In summary, SHSMD recommended five areas of future emphasis for healthcare strategic planners:

1. *Be nimble to exceed the rate of change.* Evolve as quickly as the external environment does. Frame problems, ask provocative questions, and move the organization to action.
2. *Tell stories. Create experiences.* Understand needs and motivations in order to compel storytelling. Intentionally design experiences to influence consumer behavior.
3. *Integrate and cocreate.* Facilitate conversations in multilayered and complex organizations, create coalitions, and seek out a diversity of perspectives.
4. *Erase the boundaries of business.* Help develop accessible, integrated systems of care assembled through creative means, such as partnerships and technology.
5. *Generate data-driven insight.* Identify the best tools for collecting, interpreting, and communicating information to deliver insights and better decisions with data.

Looking further ahead and drawing on the more advanced state of strategy development and strategic planning outside of healthcare, Martin Reeves, Knut Haanaes, and Janmejaya Sinha (2015) call for leaders to resist the natural tendency of organizations to hold fast to familiar or historically successful strategies. Instead, readers should encourage a focus on an external perspective, challenging internal biases. Further, with the multiple complex environments of today’s markets, leaders need to be the animators of a dynamic combination of multiple approaches to strategy. To carry this out effectively, leaders need to wear eight different hats.

1. *Diagnostician.* Continuously take an external perspective to diagnose the degree of predictability, malleability, and

harshness of each business environment and match this with the required strategic approach for each part of the firm.

2. *Segmenter*. Structure the firm to match the strategic approach to the environment at the right level of granularity, balancing the trade-off between precision and complexity.
3. *Disrupter*. Review the diagnosis and segmentation on an ongoing basis, in line with shifts in the environment, to protect the organization from becoming rigid and to modulate or change approaches when necessary.
4. *Team coach*. Select the right people for the job of managing each element in the collage according to their capabilities and help develop their understanding of the strategy palette, both intellectually and experientially.
5. *Salesperson*. Advocate and communicate the strategic choices as a whole in a clear and coherent narrative to investors and employees.
6. *Inquisitor*. Set and retune the correct context for each particular strategic approach by asking probing questions—not dictating answers—to help stimulate the critical thinking flow that is appropriate to and characteristic of each approach.
7. *Antenna*. Look outward continuously and selectively amplify important signals to ensure that each unit stays in tune with the changing external environment.
8. *Accelerator*. Put weight behind select critical initiatives to speed up or bolster their implementation, especially when the required approach has changed, is unfamiliar, or is likely to be resisted.

Reeves, Haanaes, and Sinha also suggest some tips and traps (see exhibit 13.3) for carrying out the new strategic roles.

Healthcare leaders can find inspiration in the more sophisticated strategic planning approaches of more competitive, market-driven

### Exhibit 13.3: Tips and Traps: Key Contributors to Success and Failure for Leaders in Navigating Diverse and Changing Strategic Environments

Tips	Traps
<ul style="list-style-type: none"> <li>• <i>Embrace contradictions.</i> The demands of the many approaches you lead may be diametrically opposed, and that's okay—but tailoring your messages to each environment is critical.</li> <li>• <i>Embrace complexity.</i> Introduce complexity in your organization where this will improve the match between environment and strategy without incurring excessive coordination costs.</li> <li>• <i>Explain simply.</i> The resulting strategic collage may be confusing to workers and investors; find the common thread to communicate a clear story.</li> <li>• <i>Look outward.</i> Use your unique position to counteract the self-reinforcing tendencies of your organization to perpetuate dominant beliefs by keeping the organization externally focused and fluid.</li> <li>• <i>When in doubt, disrupt.</i> Organizations naturally become entrenched in their established ways of doing things. In a dynamic world, an overemphasis on continuity is a larger danger than unnecessary disruption.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Single-color palette.</i> Any large organization is probably too complex for a single, unchallenged, and unchanging view of strategy. Avoid oversimplification and uniformity.</li> <li>• <i>Managing instead of leading.</i> Getting too deeply involved in managing each approach can prevent you from shaping the strategy collage at a higher level, as encapsulated in the eight roles of leaders.</li> <li>• <i>Planning the unplannable.</i> In a world that changes quickly and unpredictably, overinvesting in precise predictions and plans can backfire. An effective leader recognizes that sometimes plans are not the sign of good leadership.</li> <li>• <i>Rigidity.</i> Some leaders select an approach but are unwilling to change as new information arises, even though the original course will likely not survive the tides of change.</li> </ul>

Source: Reprinted from Reeves, Haanaes, and Sinha (2015).

fields. The qualities discussed earlier, even when executed at rather basic levels, will go a long way toward helping healthcare organizations experience the benefits that pathbreaking companies realize from their planning processes.

## CONCLUSION

The good old days of the relatively calm and stable healthcare environment are long gone. Intuition and educated guesses are no longer viable substitutes for sound planning methods. Change is occurring so rapidly that it is impossible to fully understand its scope and impact. With organizations no longer able to rely on the accuracy of long-range forecasts, they must improve their ability to respond to unanticipated changes in the market.

The question is how will change be experienced? According to Gary Hamel and C. K. Prahalad (1994), organizations have two choices: change that happens belatedly, in a crisis atmosphere, or change that happens with foresight, in a calm and considered manner. Will your transformation be spasmodic and brutal or continuous and peaceful?

To quote George Bernard Shaw, “To be in hell is to drift, to be in heaven is to steer.” Strategic planning is the vehicle that enables healthcare organizations to steer and have control over their futures. Yet strategic planning is a journey without a specific destination. It will take soul-searching, courage, and commitment to face a future full of uncertainty and potential threats. Strategic planning can help an organization create the road map to guide it through the unknown, balancing the need for articulated and compelling vision and direction with the flexibility to adapt and respond as healthcare is transformed in the coming years.

The effective strategic planner of the future is more than an information gatherer or guardian of the planning process. She is a leader in management and organizational transformation; a multi-dimensional catalyst of organizational change; and a strategy finder,

enabler, and leader. This transformational agenda is ambitious for many healthcare strategic planners, but carries huge potential for personal and professional growth and success.

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